

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Periodic Reporting  
(Proposal Four)

Docket No. RM2018-7

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued July 13, 2018)

To clarify the Postal Service's petition to consider changes to analytical principles, filed June 25, 2018, the Postal Service is requested to provide a written response to the following questions.<sup>1</sup> The responses should be provided by July 20, 2018.

1. The supporting workpapers indicate that the number of regulated and unregulated transactions comes from Treasury.<sup>2</sup> Please explain how Treasury determines the number of transactions, and whether each transaction is regulated or unregulated. In the response, please provide or describe all applicable formulas, methods, or procedures used to calculate the number of regulated and unregulated transactions.
2. In the Petition, the Postal Service states that to determine the relevant number of transactions in the transactions cost pool, "the total number of transactions would first be multiplied by the proportion of regulated transactions (65 percent in FY 2017), and that subset of regulated transactions is then multiplied by the approximate per transaction cost to calculate the transactions cost pool." Petition

---

<sup>1</sup> Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Four), June 25, 2018 (Petition).

<sup>2</sup> Petition, Excel file "Prop.4.Debit.Card.Attachment.xlsx," tabs "Doc" and "Inputs."

at 3-4. The Postal Service notes that the percentage of regulated transactions would be updated each year based on the most current proportions. *Id.* at 4 n.6.

Please explain how the Postal Service determines the percentage of regulated transactions in a fiscal year. In the response, please present the calculation of the FY 2017 percentage, including the formula for calculating this percentage, along with the sources for all inputs used in that formula.

3. The Petition includes a table comparing the distribution of costs related to debit card transactions using the current methodology (as presented in the FY 2017 Annual Compliance Report) and the methodology in Proposal Four. Petition at 8. This table shows that under Proposal Four, "Other Costs" would increase by \$1,020,267. *Id.*
  - a. Please confirm that "Other Costs" refers to institutional costs. If not confirmed, please explain the costs included in this category.
  - b. The supporting workpapers show that under Proposal Four, accrued costs (including "Other Costs") would be distributed based on the percentage of transaction revenue associated with postal products.<sup>3</sup> The FY 2017 Summary Description of Costs by Segments and Components states that costs related to debit and credit card transactions for postal products are fully volume variable, while costs associated with non-postal products are treated as institutional.<sup>4</sup>
    - i. Please confirm that the total increase in "Other Costs" under Proposal Four only includes costs associated with non-postal products.

---

<sup>3</sup> Petition, Excel file "Prop.4.Debit.Card.Attachment.xlsx," tab "Debit," cell D60.

<sup>4</sup> Rule 39 C.F.R. Section 3050.60(f) Report for FY 2017 (Summary Descriptions), July 2, 2018, file "CS13-17.docx," at 13-9.

- ii. If confirmed, please explain how the Postal Service distinguishes between debit and credit card transactions associated with postal products versus non-postal products.
- iii. If not confirmed, please explain why “Other Costs” would increase under Proposal Four.

By the Chairman.

Robert G. Taub